REPORT TO THE LEGISLATIVE ASSEMBLY OF MANITOBA

May 5, 2005

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Interim Commissioner for MLA Pay

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1.0 Background of the Present Legislation and the Role of Interim Commissioner

1.1 The Commissioner for MLA Pay, Allowances and Retirements Benefits

The role of Commissioner for MLA Pay, Allowances and Retirement Benefits was established by the Legislature on December 12, 2002. The mandate for the Commissioner covered all of the above named compensation items, including additional compensation for members of the Executive Council as well as other MLAs who have additional duties within the Legislature.

1.2 The Legislative Assembly Management Commission (LAMC)

The Legislative Assembly Management Commission (LAMC) is charged with the responsibility of administering the pay and benefits for the elected members of the Legislature. Following the election in June 2003, the LAMC undertook to implement the requirements of the original 2002 legislation and appointed a single Commissioner in October 2003 to make recommendations to the Legislature on pay, allowances and retirement benefits. Under the original legislation, the LAMC was required to convey the Commissioner's report, along with its own recommendation, to the Speaker. The Speaker was then required to table the report to the Legislature for acceptance or rejection.

1.3 The Outcome of the May, 14, 2004 Commissioner's Report

The Commissioner's report of May 14, 2004 was rejected by the Legislature. The resolution passed stated that members believed that "salary increases were not appropriate at this time" and the Commissioner was asked to review the recommendations and submit another report.

1.4 The June 2004 Supplementary Report to the Legislative Assembly

The Commissioner submitted a second report on June 8, 2004. Among other things, this report confirmed the May resolution of the Legislative Assembly by recommending a roll back of the cost of living adjustment that has traditionally been given to all MLAs on April 1 of each fiscal year (based upon the formula, it would have been 1.4% in June 2004). Therefore, members did not receive a COLA for 2004 and no other recommended increases were implemented. The Commissioner also recommended that the Legislative Assembly consider a process that would remove the necessity for MLAs to vote on their compensation levels.

1.5 The Interim Commissioner Role

The Legislative Assembly implemented the final recommendation of the June 8, 2004 Commissioner's report by enacting legislation in June 10, 2004 creating the role of an Interim Commissioner who would have the authority to *decide* the compensation levels of MLAs. This is in contrast to the role of the original Commissioner who was to make recommendations to the Legislative Assembly.

1.6 Authority of the Interim Commissioner

The Legislative Assembly Amendment Act (3) limited the role of the Interim Commissioner to decisions regarding the following:[1]

1.61 The annual salary for members

1.62 The additional salary for members who hold the following positions:

(a) the Speaker and Deputy Speaker;
(b) the leader of the official opposition and leader of a recognized opposition party;
(c) the elected deputy chairperson or other deputy chairperson of the Committee of the Whole House;
(d) the elected permanent chairperson and vice-chairperson of a standing or special committee;
(e) the government house leader, house leader of the official opposition and house leader of a recognized opposition party;
(f) the government whip, whip of the official opposition and whip of a recognized opposition party;
(g) legislative assistant to a member of Executive Council.

1.63 The additional salary for members of the Executive Council.

1.64 Any other salary or allowance for expenses the Commissioner considers should be paid to members, and the circumstances in which it is to be paid.

The LAMC requested that the Interim Commissioner consider only the cost of living increase, an increase to the basic annual salary of MLA's, and salary increases only in specific roles.

1.7 Appointment of the Interim Commissioner

The appointment of Dr. Jerry L. Gray as the Interim Commissioner was approved by the LAMC in December 2004.

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[1] For the text of the complete Amendment, see Bill 55, The Legislative assembly Act (3) at http://web2.gov.mb.ca/bills/38-2/b055e.php.

2.0 The Decision Process

2.1 The Overall Approach of the Interim Commissioner

Compensation issues are perhaps the most controversial of all organization processes. First, measurement of "worth" is not completely scientific and is laden with problems of measurement and value judgments. Second, compensation serves a complex and multi-purpose role in our society: it is the means of determining our standard of living, it is a measure of what others think we are worth, it is often the measure of how we compare ourselves to others, and so on. All of the issues become even more complicated in the case of elected officials. Even if there were completely scientific approaches to compensation available, the different nature of the roles, values, expectations and accountability processes of politicians would make them practically meaningless. Even the traditional means of gathering information for politicians (polls, surveys, public consultation, etc.) are of little use in the area of compensation because the results would be tainted with all sorts of biases.

The only valid and practical method in these situations is to (a) approach the problem through a system of multiple measurements - also known as benchmarks, and (b) make an informed and independent judgment based upon all of the benchmarks observed. Although no specific weight was assigned to any factor, it should be noted that the decisions contained in this report are, in the final analysis, my judgment with regard to the primary criteria of *fairness*. There are many other factors that were considered in making the decisions (see Section 2.2), but the overriding objective was to achieve a situation that, in my view, moved toward fairness in pay for our elected legislators. Although all Manitobans would not likely agree to the specific definition of what is "fair", few – if any - would argue that our MLAs should not be compensated in a fair and equitable manner. Given the complexity of the issue, the appointment of a single, independent person to make an informed judgment regarding "fairness" is the most reasonable approach.

Finally, it is important to note that the task at hand was to establish compensation levels for the *role* of Members of the Legislative Assembly, not the salaries for the specific individuals in those roles. The separation of individuals from roles provides a more objective perspective since it separates the responsibilities of the role from personal views of the individuals in those roles.

2.2 Factors Considered in Making the Decisions

The complexity of arriving at decisions regarding MLA pay is reflected not only in the large number of factors that should be considered, but also in the fact that many of the factors are not quantifiable. Indeed, it would be impossible to construct a formula that would be appropriate either for these specific decisions, or for MLA salary decisions in the future, because the variables are always changing. The process used here considered the most important factors that needed to be included in reaching a decision, and then utilized those factors in reaching a judgment regarding fairness for MLA salaries.

Some of the factors used in making the decisions are (in no particular order):

- Salary comparisons with the elected roles in other federal, provincial and municipal governments
- The need to have compensation levels that make the MLA role attractive to highly qualified candidates
- Unfairness in salaries often must be corrected over time
- The need to have compensation levels that reflect the importance of the MLA role
- The public sensitivity to how much the roles of elected officials should be paid
- The unique requirements of the MLA role, including the lack of job security and the accountability processes
- The increased cost of living since the last MLA pay increase
- Comparable workloads of the various roles in the Legislative Assembly
- General compensation principles, policies and practices in the private sector

3.0 MLA Salary Decisions

3.1 Cost of Living Increase (COLA)

3.11 A 2.5% cost of living increase added to the basic annual salary of MLAs, persons appointed to the positions mentioned in section 1.62 of this report and to members of Executive Council effective April 1, 2005. The April 1, 2005 increase will be computed on the 2003/04 salaries. For example, *the new annual basic salary for MLAs will be $67,173.*

3.12 Effective April 1, 2006 and each April 1 thereafter until such time as a different decision is made, a cost of living increase will be added to the basic annual salary of MLAs, persons appointed to the positions mentioned in section 1.62 of this report and to members of Executive Council. This increase will be computed as the previous five-year moving average increase in the Manitoba Consumer Price Index (CPI).

3.2 Annual Salary for MLAs

3.21 The basic annual salary for MLAs is set at $72,000 effective April 1, 2006. The COLA provided in 3.1 of this report will apply on April 1, 2006 as if this were the base salary in 2005/06.

3.3 Additional Salary for Speaker

3.31 The additional salary for the role of Speaker is set at that of Ministers effective April 1, 2005.

3.4 Additional Salary for Caucus Chairs

3.41 The additional salary for the role of Caucus Chair is set at $5,000.00 effective April 1, 2005. The COLA provided in 3.1 of this report would apply as if this salary existed in 2003/04.

3.5 COLA Adjustment Implementation

3.51 COLA adjustments should be applied at the beginning of the pay period that includes April 1.

3.52 COLA adjustment amounts should be rounded to the nearest dollar.

These are administrative decisions designed to eliminate the time-consuming manual calculations required if the start of the pay period does not fall on April 1.

4.0 Recommendations

The purpose of the recommendations is to suggest policies or actions that would facilitate the implementation of the specific salary decisions and/or improve the decision process in the future.

4.1 Review of Past Service Buy Back

4.11 The past service buy-back program of the Legislative Assembly Pension Plan (LAPP) should be reviewed in view of the fact that MLAs are unable to purchase past service to the extent recommended by the May 14, 2004 Commissioner's report due to limitations under *The Income Tax Act* (Canada).

The intent of the Commissioner's recommendation has proven to be unworkable for many MLAs and the past service buy back provision needs to be reviewed and changed accordingly.

4.2 Eligibility for Appointment as Commissioner

4.21 An individual appointed either as Commissioner or Interim Commissioner should not be eligible for an additional appointment.

The Legislative Assembly is to be commended for removing their compensation decisions from the political process. Implementation of this recommendation would further ensure the independence of the Commissioner's role.

5.0 Observations

5.1 Overall Compensation Levels of MLA's

It is my view that the overall compensation level of the MLA role is below the level of responsibility and complexity of similar roles in both the public and private sectors. If we want excellence in Manitoba's public service, the level of compensation must be at a level that will increase the chances of attracting individuals who have the capability to handle the complexity of the role.

5.2 Future Compensation Issues

Having the lowest paid Premier and MLAs of all of the Canadian provinces should not be a sign of pride for Manitobans. This is a situation that should be rectified as soon as possible. My view is that this unfortunate and inequitable situation has developed because of the politicization of the compensation process in the past. Hopefully, this will be resolved in the future with a Commissioner who has the authority to make decisions about compensation for all of the roles in the Legislature.